

RD AN No. 3825 (4279-B)
February 25, 2003

SUBJECT: Business and Industry Guaranteed Loan Program
Feasibility Studies

TO: State Directors, Rural Development

ATTN: Business Programs Directors

PURPOSE/INTENDED OUTCOME:

The purpose of this Administrative Notice (AN) is to provide guidance and clarification regarding the importance of a properly completed feasibility study. Guidance will also be given as to when a feasibility study should be required as provided under RD Instruction 4279-B, section 4279.150.

COMPARISON WITH PREVIOUS AN:

This replaces RD AN No. 3643 (4279-B), "Feasibility Studies," dated April 23, 2001.

IMPLEMENTATION RESPONSIBILITIES:

A business plan and a feasibility study are very different. A business plan, which may be prepared by the business itself, is a plan of all phases of a business' operation. A feasibility study, which must be prepared by a qualified, independent outside consultant, is an evaluation of the chances of success in terms of economic, market, technical, financial, and management feasibility. RD Instruction 4279-B, Appendix A, contains the minimum requirements for an acceptable feasibility study. The feasibility study should reach a conclusion as to the overall potential success of the business.

EXPIRATION DATE:
February 29, 2004

FILING INSTRUCTIONS:
Preceding RD Instruction 4279-B

Although RD Instruction 4279-B, section 4279.150, says that a feasibility study may be required, it is strongly suggested that one be obtained on all startups, on existing businesses entering a new market area, and on existing businesses where the loan will result in a significant expansion of the business' current operations. Careful evaluation of submitted feasibility studies before making lending decisions can help reduce losses and help to ensure a successful business.

If you have any questions, please contact the Business and Industry Division at (202) 690-4103.

(Signed by John Rosso)

JOHN ROSSO
Administrator
Rural Business-Cooperative Service